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Venezuela

Grain and Feed

Needed Rice Imports Start Arriving 2003

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Report Highlights:

Venezuela imported 46,000 tons of rice from the United States during the first half of 2003. These are the first rice imports in over seven years. A drop in domestic production due to lack of rains in the main irrigation district is the major factor behind the need for imports. All imports to date have been done by a government entity, and private sector millers and importers have been denied equal access to the permits and the foreign exchange necessary to import. Post estimates that 74,000 more tons of rice imports will be needed this year in order to avoid a severe shortage, and even more imports will be necessary in 2004.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Caracas [VE1], VE

PSD Table						
Country	Venezuela					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Area Harvested	95	100	70	85	75	90
Beginning Stocks	125	125	24	60	20	30
Milled Production	320	320	240	260	250	280
Rough Production	475	475	350	383	375	415
MILLING RATE (.9999)	6786	6786	6786	6786	6786	6786
TOTAL Imports	0	0	150	120	200	170
Jan-Dec Imports	0	0	0	120	200	170
Jan-Dec Import U.S.	0	0	0	120	200	170
TOTAL SUPPLY	445	445	414	440	470	480
TOTAL Exports	8	8	40	60	50	50
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	413	377	354	350	400	355
Ending Stocks	24	60	20	30	20	75
TOTAL DISTRIBUTION	445	445	414	440	470	480

Government Begins Rice Purchases

For the first time in over seven years, Venezuela has imported a significant quantity of rice. Imports to date total 46,000 tons, all from the United States. This product was all contracted by the Corporacion de Abastecimiento y Servicios Agrícolas, CASA, a recently revitalized government purchasing agency. CASA purchased rice in four different presentations: 15,000 tons of paddy, 20,000 tons of milled rice in bulk, 10,000 tons of milled rice in 50 kilo bags, and 1,000 tons of milled rice in 1 kilo packages.

This product is intended by the government for distribution to the poorer segments of society either through popular markets or other government controlled distribution channels that have not yet been well defined. The bulk milled rice has been moved to silos where it is being stored until it can be packed. This unorthodox storage method for milled rice could lead to not only a higher percentage of broken kernels, but also some quality problems due to heat, humidity and the possibility of insect infestation. The product was exported from the United States with the required SPS paperwork and received at port in good condition.

Private Sector Imports Blocked

The private sector rice mills in Venezuela formally requested permission to import up to 50,000 tons of paddy rice in April. But the government delayed issuing the necessary SPS permits and as of this date has not released the foreign currency authorization necessary for imports. Post has repeatedly expressed concerns to the GOV about its lack of transparency on the issuance of permits and licenses. FAS/Caracas raised the inconsistency of the GOV importing rice and not allowing the private sector to import the same product with the Minister of Agriculture in a June 5, 2003 meeting and requested his assistance in resolving the problem. SPS permits were authorized for most of the rice by June 14, 2003.

However, since January importers have also been faced with restrictions on access to foreign exchange. Venezuela implemented controls on all foreign exchange at that time, and the Venezuelan Exchange Control Institution, CADIVI, has been slow in responding to requests for access to dollars. Dollars for rice imports have not yet been released so private sector purchases are stalled.

Private importers are also disadvantaged since CASA has been importing rice without paying duties. CASA has plans to import another 24,000 tons of rice, but it is not clear if they will import milled rice or paddy. Additional imports for 2003 should arrive before the end of August or they will start to compete with the local crop that is coming to market.

Domestic Production Remains Inadequate

The rice shortage in Venezuela stems from a several year drought in the headwater region of the Camatagua dam. That reservoir not only supplies the major irrigation district in the state of Guarico, but it also supplies water to Caracas. Severe shortages have meant that water has been diverted from the Guarico region to Caracas, and the irrigation channels have been dry since the summer of 2002. Guarico normally harvests 60,000 hectares of rice between the summer and winter crops, but area harvested has fallen to only 20,000 to 25,000 hectares starting with the 2002 crop year.

In addition, the summer rice production area in Portuguesa state, which normally covers 75,000 hectares, is

expected to be down to only 68,000 hectares in 2003. Reasons for the decline in area planted include shortages of rice seed, shortages of fertilizer, and problems with obtaining machinery parts and supplies due to the exchange controls. These factors also are expected to contribute to lower yields and while post is raising its area harvested estimate for 2003 this month we are dropping the expected yield. Production still remains insufficient to supply the normal level of domestic demand at 15 kilos/person. Our production forecast for 2004 reflects a slight increase in yields and some increase in area planted. But as of the end of June there had not been sufficient rainfall in Camatagua in order to recharge the reservoir and we are not forecasting an increase in plantings in the Guarico region.

Ironically Exports are Up

Even in the face of increased imports, post forecasts more rice exports, mainly to Colombia. Traditionally Colombia imported between 50,000 and 100,000 tons of Venezuelan produced rice. With the domestic price of rice capped at Bs. 900/kg (56cts/Kg official rate), and the official exchange rate of Bs. 1600 to the dollar compared to a black market rate of Bs. 2500 or more, the Colombian market is bidding rice away from Venezuela. This scenario will likely continue until either the exchange rate is floated or prices domestically increase. It is extremely difficult to estimate export quantities since this is all unofficial trade. But it is likely to be a significant factor and will contribute to an extremely tight stock situation at the end of 2003.